service, selection & social responsibility

MLCC

2005

MANITOBA LIQUOR CONTROL COMMISSION

82nd ANNUAL REPORT

FOR THE FISCAL YEAR APRIL 1, 2004 TO MARCH 31, 2005

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MLCC mission statement

To regulate, distribute and sell beverage alcohol, generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality.

corporate values

social responsibility	promote responsible sale and consumption of beverage alcohol.
importance of people	foster a positive workforce by working together as a team towards our common goals.
integrity and fairness	develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours.
service excellence	provide superior service to our customers, partners and co-workers.
change	embrace change and encourage our employees to be innovative and creative.

commission structure

The Manitoba Liquor Control Commission's corporate structure is typical of Provincial Crown agencies.

The Board of Commissioners oversees the activities of the Commission. The Board Chair reports to the Minister responsible for *The Liquor Control Act*, who, in turn, reports to the Legislative Assembly.

The Licensing Board considers applications for liquor licences and determines the appropriate disciplinary action for breaches of *The Liquor Control Act*. These decisions may be appealed to the Board of Commissioners.

The provincial government appoints all board members. The day-to-day operations of the Commission are the responsibility of the President and Chief Executive Officer who reports to the Board of Commissioners.

LICENSING BOARD

(l to r) Vic Wonnacott (Chair), Dale Neal (Vice-Chair), Les Barrett, Louise Wilson, Cliff Bernhardt.

BOARD OF COMMISSIONERS

(l to r): Rob Rae, Les Crisostomo, Myrna A. Phillips, Janine Ballingall Scotten, Garry Hammerback, Carmen Neufeld (Chair), Fran Frederickson (Vice-Chair), Maria Moore. Missing: Ed Azure.

chair's message

On behalf of the Board of Commissioners, I am pleased to present the 82nd Annual Report of the Manitoba Liquor Control Commission. This report highlights the activities of the MLCC in the past year and celebrates our many successes. It also demonstrates the value we provide to the people of Manitoba. From our public and commercial customer service, to our store/vendor and product selections, to our social responsibility initiatives, Manitobans are well served by the MLCC.

In Fiscal 2005, the Board and Executive Management Team developed a new Mission Statement and Corporate Values for the MLCC. We feel this new Mission Statement is more inclusive, encompassing not only what we do, but how we do it. New Corporate Values also better reflect how the Commission is evolving in the 21st Century.

The Board and Executive Management Team developed a new long-term Strategic Plan, taking into account the needs of our primary stakeholders – Manitobans, and in particular, the needs of government, our employees, customers, business and community partners and suppliers and agents. This long-term plan provides the roadmap to our future successes and balances the requirements of the retail side of our business with social responsibility programs and initiatives.

While we are proud of our financial achievements, we are equally as proud of our social responsibility successes. "With Child – Without Alcohol" has been nationally and internationally recognized for drawing attention to the health and social issues surrounding alcohol and pregnancy and Fetal Alcohol Spectrum Disorder. This past year, the MLCC developed a Facilitator's Resource Kit that we hope teachers will find valuable as they address issues of pregnancy and alcohol with senior high school students. The "Be Undrunk" program is also striking a cord with young adults. Binge drinking is an international concern and this program has developed a vehicle for young adults to discuss, on line, binge drinking concerns and consequences. Programs such as these, combined with targeted inspections, and education and server intervention training programs, only help to strengthen our efforts to ensure beverage alcohol is sold, served and consumed in a responsible manner.

Our successes don't happen by chance. They are the result of sound business strategies executed by experienced and knowledgeable management and supported by a capable and dedicated workforce.

Thank you to the MLCC's Management Team and the entire staff at the Commission for your efforts in making 2004 – 2005 our most successful year to date. I look forward to another year of providing exceptional value and service to the people of Manitoba.

Carmen Neufeld
Chair, Board of Commissioners

president's message

I am pleased to report another successful year for the MLCC with the return of over $185 million to the provincial government and the people of Manitoba. This revenue continues to provide key funding for health care, education, as well as community and social service programs.

Our financial success in Fiscal 2005 is an amazing accomplishment given that we experienced one of the worst summers on record in 2004. The "summer that never was", had a negative impact on both beer and cooler volumes. This, combined with a beer price war late in the fiscal year, made it a challenge to reach our revenue commitments to the province.

As a result of the 2004 Provincial Budget and a request for an additional $10 million in revenue, the MLCC initiated an across-the-board price increase in the summer of 2004. Despite this increase, we are committed to remaining competitive with other provinces. In fact, Manitobans continue to enjoy some of the lowest prices on beverage alcohol in the country.

Our year-end report is not, however, all about prices. It is about demonstrating how we provide good value to the people of Manitoba. Value in the selection and service provided to our commercial and retail customers and value in our initiatives that promote social responsibility to better our society.

Strong service levels are evident within our retail environment. New and remodeled stores provide modern, convenient shopping experiences appreciated by our customers. This past year, we paid particular attention to our commercial customers. Through a licensee survey, we identified and are acting on a number of initiatives to improve services to them, such as providing longer payment terms and easier access to store inventory.

Service to our employees has also been an important focus this past year. We are continuing to address workplace quality issues such as communication methods, workload issues and employee wellness. In addition, we have initiated an Aboriginal Employment Strategy to ensure a culturally diversified workforce that is truly representative of Manitoba.

Service to our communities is also growing. This past year we partnered with community groups in Dauphin, Portage la Prairie, Gimli, Brandon and Thompson to host a number of successful wine festivals. These events not only helped to showcase our products and expertise, but they are popular and valuable fundraising events for community initiatives and charitable organizations.

Selection of stores and products provides further value to our customers. The MLCC offers an optimum mix of Liquor Marts and rural vendor locations while offering a wide variety of beverage alcohol products tailored to local tastes. Through initiatives like Category Management, we have been able to manage our product selection effectively to reflect the products and price ranges that meet our customers' expectations.

Social responsibility is another value we offer Manitobans. In Fiscal 2005, the MLCC continued to balance regulatory requirements under *The Liquor Control Act* with education programs such as responsible server training. In addition, public information programs address such important issues as alcohol and pregnancy, binge drinking and preventing access to alcohol by minors. These programs demonstrate our concern for responsible consumption and our committment of the resources needed to address those concerns.

Providing value through service, selection and social responsibility programs requires commitment from all team members. Thanks to the Board of Commissioners for its guidance and support this past year. Special thanks to the MLCC's Executive and Management Team who not only managed to meet our budget, they exceeded all expectations. Finally, thanks to all employees for your ongoing efforts in providing exceptional service to one another and to the people of Manitoba.

Don Lussier
President & CEO

providing value for manitobans

Manitobans may be familiar with the MLCC as a retailer of beverage alcohol through its 45 Liquor Marts, however, they may not be aware of how the MLCC contributes to the provincial economy. In turn, customers who shop at a Liquor Mart likely don't think about where their money goes when they purchase beverage alcohol.

Generally speaking, every Friday, the MLCC transfers its net profit for the week to the provincial government – making a deposit not only in the provincial treasury, but in the future of all Manitobans.

THE MLCC GENERATES REVENUE FOR THE GOVERNMENT OF MANITOBA TO SUPPORT PROVINCIAL PROGRAMMING IN EDUCATION, HEALTH CARE, SOCIAL SERVICES AND COMMUNITY PROJECTS FOR THE BENEFIT OF ALL MANITOBANS.

DID YOU KNOW?

- The MLCC has been providing beverage alcohol service in Manitoba for 82 years.
- With annual sales of approximately $450 million, the MLCC is one of the largest single buyers of beverage alcohol in the world, purchasing product from 1,000 suppliers in 50 countries.
- The MLCC lists over 3,000 different spirits, wine, coolers and beer products. In addition, the MLCC annually purchases 614 special order products for its retail customers, as well as 3,469 unique products for its commercial customers.
- Through its Distribution Centre, the MLCC supplies approximately 1,700 customers and annually processes over 63,000 orders.
- The MLCC injects approximately $1 million into the provincial transportation system for delivery services.
- The revenue raised by the MLCC in Fiscal 2004 was equivalent to 10% of total personal income tax collected in the Province of Manitoba.
- The MLCC is one of the most efficient liquor jurisdictions in the country, with General and Administrative expenses as a percentage of sales below 10%.
- The MLCC directly employs approximately 750 people at its Winnipeg Head Office and 45 Liquor Marts throughout the province.
- The MLCC supports hundreds of charities, arts, sports and health-related organizations and communities throughout Manitoba.

SERVICE

CUSTOMERS CONSISTENTLY RATE THE MLCC HIGH ON FRIENDLINESS OF STAFF, KNOWLEDGE OF PRODUCTS AND PROMPT ASSISTANCE.

The sale and service of beverage alcohol has come a long way since the MLCC was created in 1923. Over the past 82 years, we've moved from a tightly controlled environment where customers could only purchase alcohol products by filling out an order form, to conveniently-located, modern retail stores offering personal shopping of a wide variety of products.

In recent years, we've made customer service a priority and it shows. We receive daily accolades from customers about the service we are providing in our Liquor Marts. Of course, customer service relies on an experienced, knowledgeable workforce. This past year, the MLCC invested in over 7,000 hours of staff training.

The MLCC continually strives for service excellence. As a retailer, we want to know how we're doing and so we conduct annual customer surveys comparing our service to other major retail outlets. We are proud to state that our customers consistently rate us high on friendliness of staff, staff knowledge of the products and staff's promptness when customers need help.

This past year, we surveyed our commercial customers to determine the service areas important to them and to gauge satisfaction levels. While we received relatively high satisfaction scores for service areas that directly relate to their operational needs, a number of items were identified for improvement and the MLCC is acting on those items.

SELECTION

CUSTOMERS CAN CHOOSE FROM OVER 3,000 DIFFERENT BEVERAGE ALCOHOL PRODUCTS.

MLCC Liquor Marts are conveniently located in communities throughout Manitoba with 23 stores located in Winnipeg and 22 stores operating in communities throughout the province. In smaller rural communities that may not be able to support a Liquor Mart, the MLCC works with private businesses to provide beverage alcohol service.

Selection is key. Liquor Mart customers can choose from over 3,000 different wines, spirits, coolers and beer from around the world. Beer is by far the most popular choice of Manitobans. This past year, over 70 million litres of beer were sold in the province. The popularity of red wine is continuing to grow in our province, with Manitobans overwhelmingly loyal to Canadian products over imports.

Interest in beverage alcohol products as part of a healthy lifestyle also continues to grow. Product education courses in Winnipeg and Brandon are routinely sold out. This past year, we held 26 one-evening product seminars with 327 participants. Interest in different products is also increasing. In addition to the very popular Winnipeg Wine Festival in support of Special Olympics, wine festivals were held in Thompson, Dauphin, Brandon, Portage la Prairie and Gimli. Wine and beer festivals not only provide opportunities for our customers to learn more about different products, they allow customers to have a direct say in the products that are carried in their local Liquor Mart.

SOCIAL RESPONSIBILITY

WE CONTINUE TO BALANCE EDUCATION AND ENFORCEMENT TO ENSURE COMPLIANCE WITH *THE LIQUOR CONTROL ACT*.

The MLCC believes that beverage alcohol products should be used in moderation. More than that, we've made social responsibility part of everything we do.

Through our "Show Your Age" program, anyone who appears to be under the age of 25 must provide photo identification when purchasing alcohol in Liquor Marts, liquor vendors and licensed establishments. This past year, the Licensing & Inspection Department issued 5,807 photo identification cards.

We conducted nearly 26,000 inspections of licensed premises to ensure responsible alcohol service to the public. In partnership with the Manitoba Tourism Education Council, we also helped educate almost 450 managers/owners of licensed establishments and 2,665 servers of beverage alcohol in the "It's Good Business" responsible service program.

We also expanded our award-winning "With Child – Without Alcohol" program by developing a Facilitator's Resource Kit to help senior high school teachers address issues surrounding alcohol and pregnancy and Fetal Alcohol Spectrum Disorder.

Every day, the MLCC works with organizations dedicated to addressing alcohol-related issues. Our partners include The Addictions Foundation of Manitoba and The Addictions Awareness Week Committee; Safe Grad/Teens Against Drinking and Driving; Mothers Against Drunk Driving; the Non-Potable Alcohol Abuse Committee; the Winnipeg Downtown BIZ Association; and the provincial Responsible Service Committee.

strategic plan review

In Fiscal 2005, the MLCC developed a new Strategic Plan to guide its future successes. This plan includes a new and more inclusive Mission Statement and Corporate Values that is more reflective of how the MLCC is operating in the 21st Century.

The Strategic Plan is supported by five strategic theme areas, which serve as a blueprint for incorporating the Mission Statement and Corporate Values into our daily activities.

The five theme areas are: *Financial*; *Social Responsibility*; *Customer Service*; *Business Effectiveness;* and *Workplace Quality*.

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financial

GOAL:

Continue to be an important contributor to Manitoba's general revenue through the controlled sale of beverage alcohol.

OBJECTIVE #1:

Meet the net profit requirements of the Manitoba Government.

STRATEGIES:

To meet its financial commitments, the MLCC focused on ensuring actual expenses were on target with budgeted expenses; the promotion of premium products; and the evaluation of other sources of revenue. In addition, the MLCC continued to compare its pricing relationship to other jurisdictions by analyzing and comparing prices on key products.

RESULTS:

$185.3 MILLION RETURNED TO MANITOBANS!

The 2004 Provincial Budget included an additional $10 million in revenue from the MLCC. To meet its financial obligations, the MLCC increased beverage alcohol prices in all beverage categories.

At the end of the fiscal year, the MLCC achieved a net profit increase of $11.2 million with a return of $185.3 million net to the provincial government. This is a 6.4% percent increase over the previous year! This was accomplished in spite of the challenge of poor summer weather and a decline in beer volumes.

To achieve these results, the MLCC set sales and expense budgets. Sales by Liquor Marts were up 2% over budget; liquor vendor sales were 0.7% under budget; and licensee sales were 0.3% under budget. Operational expenses came in at $1.1 million under budget.

An increase in marketing program revenue of $190,000, as well as an increase in the average retail sales per customer of approximately $1.00 (to $30.32) further increased net profit over F'04.

Premium products performed well achieving a 56.6% share of market, which was slightly below the target of 60%.

Even with mark-up increases, the MLCC was able to maintain its mid-range pricing relationships to other provinces through cross-Canada pricing comparisons.

OBJECTIVE #2:

Exercise control over mark-up rates while maintaining transparency.

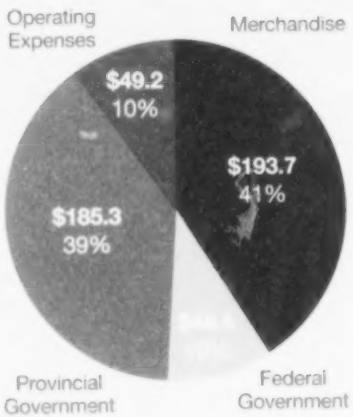
STRATEGIES:

To meet the financial requirements of the provincial government, the MLCC continued to evaluate and implement mark-up opportunities throughout F'05.

RESULTS:

Following the 2004 Provincial Budget, a price increase was implemented on spirits, wine, coolers and beer products. The increase had a minimal impact on volumes, however, it resulted in a gross profit increase of almost $12 million over last year.

$185.3 MILLION FOR MANITOBANS



ADDITIONAL PAYMENTS TO THE PROVINCE (IN MILLIONS)

Retail Sales Tax – $14.9

Environmental Protection Tax – $2.2

Waste Reduction & Prevention Tax – $0.4

ADDITIONAL PAYMENTS TO THE FEDERAL GOVERNMENT (IN MILLIONS)

Goods and Services Tax – $33.7

PROFIT AND EXPENSE RATIOS (IN THOUSANDS)

FISCAL YEARS ENDING MARCH 31

	2001	2002	2003	2004	2005
Sales	400,825	422,604	434,980	459,199	472,134
Gross Profit	190,690	199,140	205,448	218,191	229,842
Net Profit	158,613	163,316	166,347	174,066	185,273
General and Administrative Expenses	36,622	39,938	44,127	45,850	46,706
Fixed Assets & Depreciation	1,084	1,462	2,107	2,432	2,449
Gross Profit as % of Sales	47.6%	47.1%	47.2%	47.5%	48.7%
Net Profit as % of Sales	39.6%	38.6%	38.2%	37.9%	39.2%
General and Administrative Expenses as % of Sales	9.1%	9.5%	10.1%	10.0%	9.9%

PRODUCT $ SALES IN MILLIONS

	Beer	Spirits	Wine	Coolers/Ciders
2001	181	153	58	9
2002	193	154	63	13
2003	199	154	67	15
2004	212	159	72	16
2005	215	164	78	16

VOLUME SALES IN MILLIONS OF LITRES

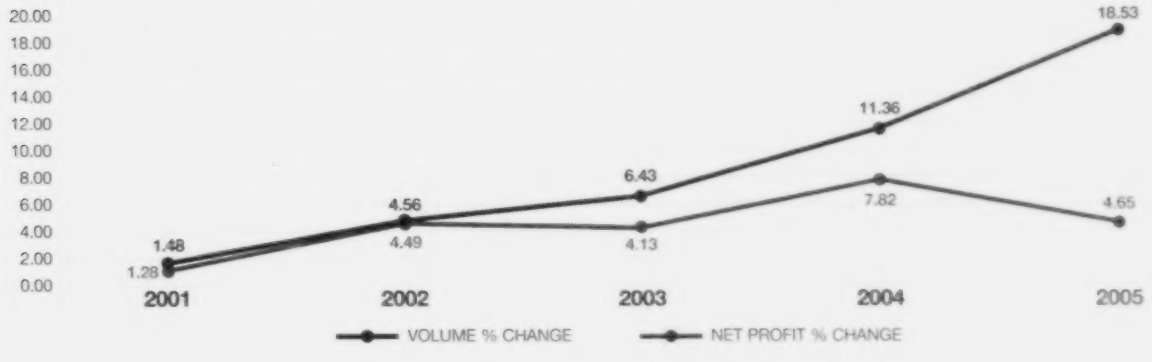
	Beer	Spirits	Wine	Coolers/Ciders
2001	69.5	6.4	6.3	2.0
2002	71.3	6.3	6.7	2.6
2003	70.6	6.3	6.8	2.9
2004	73.1	6.5	7.1	2.9
2005	70.6	6.3	7.4	2.7

PER CAPITA CONSUMPTION IN LITRES

	Beer	Spirits	Wine	Coolers/Ciders
2001	60.5	5.6	5.5	1.8
2002	62.0	5.5	5.8	2.3
2003	61.3	5.4	5.9	2.5
2004	62.9	5.6	6.1	2.6
2005	60.3	5.4	6.3	2.3

Source: Statistics Canada CANSIM 11 table 051-0001 based on total population as of July 1 of each year.

CUMULATIVE % PROFIT & VOLUME



social responsibility

GOAL:

Educate Manitobans on safe consumption and regulate the responsible service of beverage alcohol.

OBJECTIVE #1:

Support programs to promote socially responsible consumption of beverage alcohol, setting aside a minimum of .2% of estimated gross profit to fund these programs.

STRATEGIES:

The MLCC continues to focus on alcohol education and awareness programs to encourage socially responsible alcohol consumption. In F'05, its aim was to expand the "With Child – Without Alcohol" (WCWA) program to other target groups; to increase awareness of other social responsibility programs; and to partner with other organizations and stakeholders to develop and deliver responsible consumption programs.

RESULTS:

In F'05, the "With Child – Without Alcohol" (WCWA) program was expanded and targeted to Senior 1 – 4 grades. A Facilitator's Resource Kit was developed on alcohol and pregnancy and Fetal Alcohol Spectrum Disorder, which is the focus of the WCWA program. The kits were developed with the assistance of Healthy Child Manitoba and Manitoba Education's Health and Physical Education curriculum advisor. The kits contained a teaching video and resource guide and were distributed to all Manitoba senior high schools.

The "Be Undrunk" program, which addresses over-consumption by young adults, was also expanded in F'05. Visitors to the web site were invited to share their stories of how over-consumption of alcohol ruined a good time in exchange for a program tee-shirt. The web site received approximately 12,000 unique visits and 1,000 story submissions. These submissions were used to develop two new campaign themes that will be launched in F'06.

The MLCC also re-freshed its "Show Your Age" age identification program with a new look for its poster and promotional materials. These were distributed to 45 Liquor Marts, 179 liquor vendors and 1,600 licensees.

Through the Canadian Association of Liquor Jurisdictions (CALJ), the MLCC participated in the development of a national campaign to address drinking and recreational vehicle use. The first phase, to address snowmobile activity, was targeted for launch in late F'05, but was delayed to F'06 due to timing issues involving multiple jurisdictions.

The MLCC also continued to partner with organizations dedicated to addressing alcohol-related issues, such as The Addictions Foundation of Manitoba and The Addictions Awareness Week Committee; Safe Grad/Teens Against Drinking and Driving; Mothers Against Drunk Driving; the Non-Potable Alcohol Abuse Committee; the Winnipeg Downtown BIZ Association; and the provincial Responsible Service Committee.

The Night Out.
This is the point when most people stop drinking.
The key to a great night might simply be drinking less.
Share your "how excessive drinking ruined my night" story so others may learn at www.beundrunk.com
Be UnDrunk.
MLCC

OBJECTIVE #2:

Optimize compliance with *The Liquor Control Act*.

STRATEGIES:

The MLCC's Licensing & Inspection Department continued to balance education and enforcement to ensure compliance with *The Liquor Control Act*. Regular inspections were conducted of licensed premises and permit functions. Education of various stakeholder groups was provided to prevent over service and sale of alcohol to intoxicated persons and minors.

RESULTS:

The department implemented a targeted inspection program dependent upon type of licence held and previous history of operation. The average number of inspections by operation type was on target in F'05.

Target: 25,000 inspections of licensed establishments; 20% of sale permit functions

Result: 25,858 inspections of licensed establishments; 21.1% of sale permit functions

A key focus of the MLCC is to minimize over service and sale to intoxicated persons and minors through continued education of various stakeholder groups. Working in partnership with the Manitoba Tourism Education Council (MTEC), the MLCC set a training target of 480 owners/managers of licensed establishments and 3,330 servers of beverage alcohol for the "It's Good Business" responsible service training program. Training sessions were slightly below target at 443 sessions for owners/managers and 2,665 for servers. In addition to the "It's Good Business" training, liquor inspectors conducted 84 educational seminars at licensed premises.

In partnership with MTEC, the MLCC undertook a review of responsible service training to determine the merits of making it mandatory for banquet halls and community events. It determined that server training would continue to be voluntary unless specific problems were identified with the banquet hall operator.

Progressive disciplinary action was recommended for those licensees, permittees and banquet hall operators who continue to breach *The Liquor Control Act*. Administrative action involving licensees included 80 warning letters and 19 meetings with the Manager, Inspection Services, in addition to 12 warnings and one suspension of privileges involving permittees and banquet hall operators. The disciplinary hearing process was reviewed with members of the Licensing Board and Board of Commissioners in September 2004, including review of the overall process and policies for setting penalties under *The Liquor Control Act*.

LEGISLATIVE CHANGES:

THE LIQUOR CONTROL ACT

In F'05, minor wording changes were made within *The Liquor Control Act* amending reference to *The Resource Tourism Operators Act* for hunting and fishing lodges, and amending the French definition of "gang colours".

REGULATIONS

M/R 177/94, Liquor Licensing Regulation, was amended by M/R 158/2004, which was registered on August 30, 2004 and came into force on September 11, 2004. The amending regulation prohibits promotions involving an unlimited or unspecified amount of liquor for a fixed price; and prohibits contests and games that involve the consumption of liquor.

M/R 125/94, Specialty Wine Stores Regulation, was amended by M/R 10/2005, which was registered on January 26, 2005 and came into force on February 5, 2005. The amending regulation states the discounts on wine and annual operating fees for the stand-alone specialty wine stores will be as specified in the operating agreement and operating guidelines; added a section to allow specialty wine stores to operate a temporary location at a wine festival; and repeals the section requiring a wine supplier to have a marketing representative, which ceased to have effect on December 31, 1997.

NUMBER OF HOTEL REGISTRATIONS & LICENCES

Class of Licence	2001	2002	2003	2004	2005
Hotel Registration	328	324	323	327	322
Retail - Beer Vendor	303	298	296	297	293
- Brewer's Retail	4	3	2	1	1
- Sacramental Wine	3	3	3	3	3
Beverage Room	287	279	277	276	271
Dining Room	1,133	1,133	1,116	1,124	1,138
Transportation	14	11	11	11	11
Cocktail Lounge	429	444	455	450	466
Cabaret	21	24	20	20	24
Spectator Activities	39	39	41	41	38
Private Club	267	265	266	263	263
Military Canteen	20	18	18	18	15
Sports Facility	146	150	154	156	151
Manufacturer's	53	55	35	37	37
Total	**3,047**	**3,046**	**3,017**	**3,024**	**3,033**

OCCASIONAL PERMITS ISSUED

	2001	2002	2003	2004	2005
Liquor Sold	8,923	7,991	8,056	7,569	7,468
Liquor Complimentary	4,735	4,750	4,641	4,425	4,356
Total	**13,658**	**12,741**	**12,697**	**11,994**	**11,824**

INSPECTIONS, INVESTIGATIONS AND EDUCATIONAL SEMINARS

	2001	2002	2003	2004	2005
Licensed Premises					
Licensee visits	27,451	28,161	27,613	27,338	25,858
Investigations/final inspection of premises	852	1,010	984	915	438
Education of licensees/their staff	194	151	145	142	84
Total	**28,497**	**29,322**	**28,742**	**28,395**	**26,380**
Occasional Permits					
Inspections while in progress	1,903	1,658	1,695	1,707	1,576
Investigations prior to issue	1,098	1,033	1,029	1,208	1,415
Education of hall owners/permittees/public	113	114	134	93	62
Inspection of new banquet halls	76	70	103	93	55
Total	**3,190**	**2,875**	**2,961**	**3,101**	**3,108**
General and Public Concern Investigations	**1,369**	**1,296**	**1,309**	**1,162**	**1,326**

Note: Fewer inspections and education seminars were conducted in F'05 due to vacancies in the licensing advisor and inspector positions and staff assigned to the LPI-LINK project.

DISCIPLINARY ACTION

	2001	2002	2003	2004	2005
Licensees:					
Administrative					
- warning letters	76	100	229	121	80
- meetings with Manager, Inspection Services	48	29	30	11	19
Total	**124**	**129**	**259**	**132**	**99**
Board					
- disciplinary hearings	38	45	41	35	29
- appeal hearings	9	6	6	3	3
Board Action					
- warnings	4	10	5	7	5
- suspensions	25	36	29	26	20
- cancellations	0	2	0	3	0
- other	6	2	10	0	1
Total	**35**	**50**	**44**	**36**	**26**
Total days suspended	37	82	121	433*	119**

Note: Board actions may not equal number of hearings due to appeals carried forward to next fiscal year, or more than one action taken at a hearing.

Permittees/Hall Owners:					
Administrative					
- warnings	21	13	30	11	12
- suspension of privileges	4	4	7	4	1
Total	**25**	**17**	**37**	**15**	**13**

* *365 days suspended attributed to one licensee (suspension began in F'03 and is ongoing into F'05).*
** *85 days suspended attributed to one licensee (suspension began in F'03 and terminated in F'05).*

Breaches of *The Liquor Control Act* can be handled administratively or through a hearing before the Licensing Board. Where there is no previous record, the inspector may handle the matter through education of the licensee and staff.

Where there is a record of operation and the breach is of a less serious nature, administration may issue a letter of warning or meet with the licensee to discuss solutions to the problem. These letters/meetings form part of the licensee's record of operation. Where there is a record of operation and the breach is of a serious nature, the matter is referred to the Licensing Board for a hearing. Appeals are heard by the Board of Commissioners.

Breaches of *The Liquor Control Act* by banquet hall operators and occasional permit holders are normally handled by administration of the Commission.

customer service

GOAL:

Deliver excellent service to our retail and commercial customers throughout the province.

OBJECTIVE #1:

Enhance service to public customers by continuing to elevate customer service levels to meet their increasing expectations.

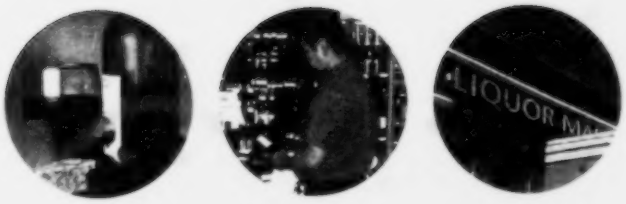
STRATEGIES:

The MLCC annually surveys its customers to determine customer satisfaction levels in Liquor Marts. A telephone survey was conducted with 800 customers to determine satisfaction levels of key service components in comparison with leading Manitoba retailers. In addition, the MLCC used professional shoppers to shop its Liquor Marts to ensure service standards are being met.

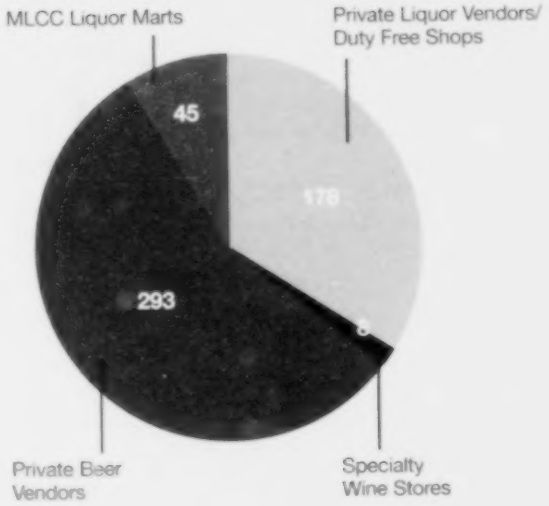
The MLCC also ensures liquor vendor standards are maintained for customer service, quality and product selection by conducting service and social responsibility shops. In addition to service standards, the MLCC set growth targets for vendor sales at 1% less than rural Liquor Marts.

Category Management continues to be an important initiative as the MLCC moves toward more premium product categories to meet changing consumer needs. In F'05, the MLCC's goal was to complete category recommendations for refreshment beverages and beer. This followed the initial implementation of the spirits category in the last fiscal year.Under the MLCC's Retail Network Plan, new stores were planned in Winnipeg for River & Osborne, Portage & Burnell and Southdale, while Liquor Marts in Morden and Russell were targeted for modernization.

The MLCC also looked to support community events to enhance service and customer product knowledge as well as provide new opportunities for training and education seminars.



RETAIL OUTLETS – 2005



PRODUCT LISTINGS 2004 – 2005

spirits	general list	478
	specialty list	218
wines	general list	799
	specialty list	1039
beer	MLCC distributed	49
	privately distributed	387
refreshment beverages	general list	68
	specialty list	1
Total active listings as at March 31, 2005		**3039**

General list products typically represent those products with high volume sales.
Specialty list products have smaller volume sales and are unique products that round out the overall corporate assortment.

customer service

GOAL:

Deliver excellent service to our retail and commercial customers throughout the province.

OBJECTIVE #1:

Enhance service to public customers by continuing to elevate customer service levels to meet their increasing expectations.

STRATEGIES:

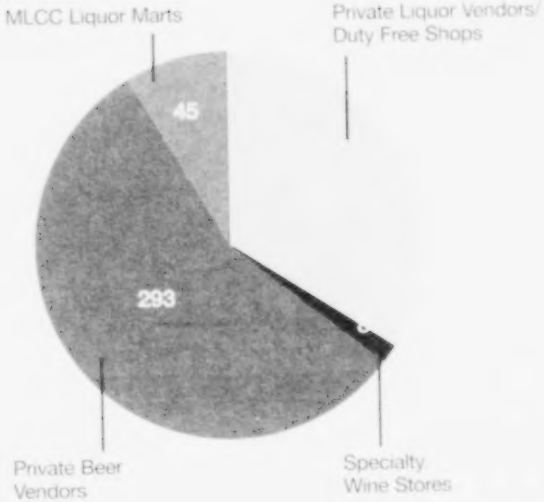
The MLCC annually surveys its customers to determine customer satisfaction levels in Liquor Marts. A telephone survey was conducted with 800 customers to determine satisfaction levels of key service components in comparison with leading Manitoba retailers. In addition, the MLCC used professional shoppers to shop its Liquor Marts to ensure service standards are being met.

The MLCC also ensures liquor vendor standards are maintained for customer service, quality and product selection by conducting service and social responsibility shops. In addition to service standards, the MLCC set growth targets for vendor sales at 1% less than rural Liquor Marts.

Category Management continues to be an important initiative as the MLCC moves toward more premium product categories to meet changing consumer needs. In F'05, the MLCC's goal was to complete category recommendations for refreshment beverages and beer. This followed the initial implementation of the spirits category in the last fiscal year.Under the MLCC's Retail Network Plan, new stores were planned in Winnipeg for River & Osborne, Portage & Burnell and Southdale, while Liquor Marts in Morden and Russell were targeted for modernization.

The MLCC also looked to support community events to enhance service and customer product knowledge as well as provide new opportunities for training and education seminars.

RETAIL OUTLETS – 2005



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Total active listings as at March 31, 2005		3039

General list products typically represent those products with high volume sales.
Specialty list products have smaller volume sales and are unique products that round out the overall corporate assortment.

RESULTS:

The MLCC surveyed 800 customers by telephone: 96% reported they were satisfied. Of these customers, 66% reported they were very satisfied.

TELEPHONE SURVEY CUSTOMER SATISFACTION
Target: 75% satisfaction rating
Result: 96% report satisfied (66% reported very satisfied)

PROFESSIONAL SHOPS (WINNIPEG LIQUOR MARTS)
Target: 3 shops; 85% rating
Result: 5 shops; 90.78% rating

The MLCC completed Category Management recommendations for refreshment beverages and beer.

New store locations were completed for the River & Osborne and Portage & Burnell Liquor Marts. Plans to relocate the Southdale Liquor Mart were put on hold and funds re-directed to the renovation of the Portage & Ainslie store. The Morden and Russell Liquor Marts were modernized to current standards.

Liquor vendor sales achieved 2.5% growth, compared to 4.7% sales growth of rural Liquor Marts. While vendor growth did not achieve the target, vendor sales are performing well.

OBJECTIVE #2:

Enhance service to commercial customers by continuing to elevate customer service levels in response to their increasing expectations.

STRATEGIES:

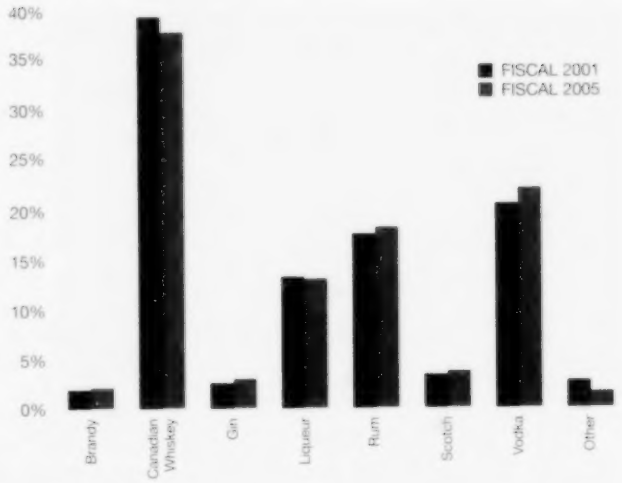
In F'05, the MLCC surveyed commercial customers to determine satisfaction levels with the intent of implementing initiatives that would enhance customer service to this group.

RESULTS:

A commercial customer satisfaction survey was completed and a number of improvements were made, such as longer payment terms and the Liquor Mart pick up policy for commercial customers was revised to better accommodate customers' needs. Presentations on service were made at the Manitoba Hotel Association zone meetings, and the licensee sales advisor provided additional training to licensees requesting service.

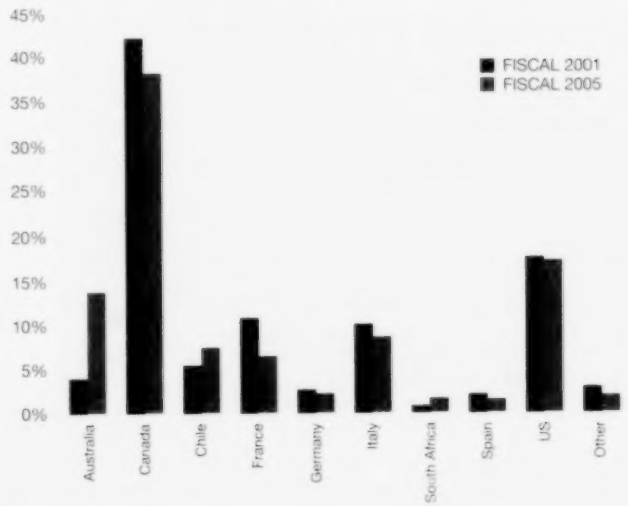
SPIRIT SALES BY TYPE

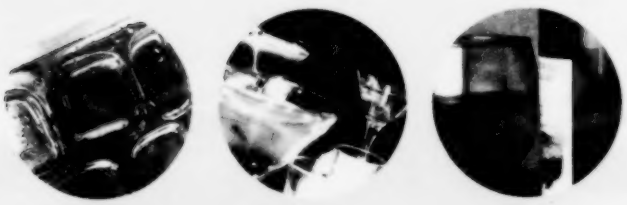
FISCAL 2001 AND FISCAL 2005



WINE SALES BY COUNTRY

FISCAL 2001 AND FISCAL 2005





business effectiveness

GOAL:

Move to industry best practices, working in partnership with suppliers and commercial customers.

OBJECTIVE #1:

Initiate programs that, over time will make the MLCC the best Canadian liquor jurisdiction.

STRATEGIES:

The MLCC continually reviews its internal service, productivity measures as well as the cost-effectiveness of its strategies. Target levels are set for Purchasing, the Distribution Centre and Liquor Marts.

To ensure the MLCC maintains delivery of its services during a disaster, the MLCC continued to refine and finalize its contingency and disaster recovery plans and identified the need for an off-site location to store its vital computer data.

Other strategies included standardizing supplier requirements through a Contract Management Plan; reviewing all MLCC records to ensure they are properly scheduled for retention and appropriately secured; and implementing recommendations from the Quality Control Review Report.

RESULTS:

The majority of productivity targets were achieved or exceeded at the retail level, however some targets in Purchasing and the Distribution Centre were not achieved due to process changes resulting from the implementation of the MLCC's new computer system.

PRODUCTIVITY MEASURES FOR:

LIQUOR MARTS

- In-stock (product availability) service levels: Target – 94% in stock. Achieved – 98.1% in stock.
- Productivity (units/labour hours): Target – 32 units (Wpg); 28 units (outside Wpg). Achieved – 34.18 units (Wpg); 28.28 units (outside Wpg).
- Inventory turnover: Target 13 turns (Wpg); 10 turns (outside Wpg). Achieved – 13.74 turns (Wpg); 11.40 turns (outside Wpg).
- Shrinkage (as a percentage of store sales): Target – 0.15%. Achieved – 0.11%.
- Store General and Administrative expenses as a % of store sales: Target – 9.75%. Achieved: 8.9%.

PURCHASING

- Inventory turnover: Target – 8.8 turns. Achieved – 8.13 turns.
- In-stock (product availability) service levels for 1,400 general list products: Target – 97% in stock. Achieved – 98.5% in stock.

DISTRIBUTION CENTRE

- The Distribution Centre shipped 1.74 million cases of product, only slightly above last year's figure.
- Cases handled per staff hour: Target – 28.9 cases. Achieved – 25 cases.

The MLCC established a shared alternate Data Centre with Manitoba Public Insurance to serve as a Disaster Recovery Site. The facility was completed and the site became operational at the end of the fiscal year. Testing will be conducted in F'06.

A Contract Management Plan was completed to establish clear standardized requirements for all non-alcohol suppliers. Over 80% of the recommendations for the Quality Control Review Report were implemented, with the remainder in progress by the end of the 4th Quarter. The record retention and security report was deferred to F'06.

OBJECTIVE #2:

Establish and promote the MLCC's corporate image with stakeholders.

STRATEGIES:

As a corporate citizen, the MLCC maintains a sponsorship program to assist various charities and organizations with their fundraising efforts. In F'05, the MLCC reviewed its ongoing sponsorship commitments to look for any gaps or opportunities.

The MLCC also reviewed its public documents and forms with an objective to establish a corporate identity for all publications and to convert documents to the new corporate design within the year.

RESULTS:

A review of corporate sponsorships was conducted throughout the year with new opportunities for community support identified. The MLCC developed a new modern corporate look for its public documents and converted the majority of its publications and forms to the new design. In addition, a communication plan to highlight MLCC activities was developed and will be implemented in F'06.

OBJECTIVE #3:

Change or establish processes/policies to comply with legislation.

STRATEGIES:

In F'05, the MLCC implemented its Sustainable Development Action Plan through set project milestones. A number of projects were also identified under the Workplace Safety and Health Policy for completion such as hazard identification and control; procedures for investigating accidents; a strategy to involve workers; and a training plan for workers and supervisors.

RESULTS:

Under the Sustainable Development Action Plan, the MLCC:

- developed a web based training tutorial for environmentally green procurement;
- implemented ethanol fuel use in all 27 fleet and executive vehicles;
- formed the Sustainable Development Working Group comprised of MLCC, Manitoba Hydro, Manitoba Public Insurance, Procurement Services Branch and Manitoba Conservation to share information on sustainable development issues;
- developed a sustainable development clause for MLCC tenders/RFP documents to ensure bidders abide with *The Sustainable Development Act* environmental regulations and disposal methods;
- reduced harmful cleaning chemicals and eliminated six environmentally harmful cleaning products;
- converted 50% of all MLCC printed forms to paper with recycled content with laser printer and photocopier paper at 30% post consumer waste, and investigated feasibility of converting to 100% recycled paper for laser printers and copiers. In addition, all copiers were upgraded with functionality for double-sided printing of documents; and
- lighting upgrades were completed in Liquor Marts with three exterior store signs converted to LED and all stores upgraded to T8 flourescent lighting that consume less energy. This has resulted in reduced power consumption of 80%. Low wattage, energy saving pot lighting is also being tested in stores.

Hazard identification and control was completed in the Distribution Centre, but deferred to F'06 for Liquor Marts. All other measures were completed and are part of the Workplace, Safety and Health Program to be presented to Executive Management in F'06.

workplace quality

GOAL:

Create a fair and equitable work environment that is challenging, diverse and inclusive.

OBJECTIVE #1:

Enhance an inclusive culture that encourages participation of all staff.

STRATEGIES:

Under its Strategic Plan, the MLCC committed to improved communication with employees and specifically identified the communication of the business plan to all departments. In addition, the MLCC continued support for employee recognition programs such as the "STAR" program, service awards, and retirement dinners. The MLCC also committed to an employee job satisfaction survey and action plan in F'05 as follow up to the 2001 survey.

RESULTS:

The 2004 Strategic Plan was shared with employees through a series of meetings and each employee received a Strategic Plan booklet. Employee communication was improved through the distribution of internal informational materials, as well as group and departmental meetings. The service awards program for long-service employees was revised and information distributed to all employees.

An employee job satisfaction survey was completed. The MLCC will initiate an action plan in early F'06 to address areas identified for improvement.

Communication to employees was expanded through the distribution of internal informational materials, as well as group and departmental meetings.

OBJECTIVE #2:

Ensure a well-trained staff and management workforce that has the capability to undertake new responsibilities.

STRATEGIES:

Succession planning remained an important commitment with a number of initiatives undertaken to address this process.

The MLCC remained committed to employee training and set a target of six Basic Wine and Spirits courses and two Higher Certificate courses to advance product consultant knowledge. In addition, training was identified for management in the Performance Management System.

A review of the format and style of corporate policies was also identified along with a cyclical review and update program.

RESULTS:

All exempt management positions were assessed in the succession planning process and 60% of the 360-degree feedback process was completed. Feeder positions for executive development were identified and competency profiles for key positions were completed.

Five Basic Wine and Spirits courses and two Higher Certificate courses were held.

Roll-out of the Performance Management System was delayed to F'06 due to re-direction of resources for a computer system upgrade.

A new format approach for corporate policies was developed and a policy upgrade process was initiated for completion in F'06.

OBJECTIVE #3:

Promote diversity in the workplace reflective of diversity in the population.

STRATEGIES:

The MLCC initiated a workplace diversity program.

RESULTS:

An Aboriginal Human Resources Consultant was hired to help develop an Aboriginal Employment Strategy.

OBJECTIVE #4:

Promote a healthy work/life balance.

STRATEGIES:

In consultation with the MGEU, the MLCC identified the need for an employee wellness program. It also continued to monitor fairness of workload and established regular department staff meetings.

RESULTS:

In F'05, Executive Management approved a wellness program for MLCC employees, which includes a fitness allowance and casual days. The program will be implemented in early F'06.

Job descriptions and responsibilities were reviewed for all departments and employee workloads were balanced. The Human Resources department will continue to monitor workloads to ensure balance is maintained.

OBJECTIVE #5:

Maintain a modernized Technology and Information System environment that meets the needs of the organization.

STRATEGIES:

The MLCC's five-year LINK project to replace approximately 20 outdated computer systems with an integrated system continued in F'05. Strategies included stabilizing the Distribution system implementation, as well as implementing the final phase of the Licensing, Permits and Inspection stream. Project completion included a review and revision of department processes to determine the impact of LINK on individual positions. To allow staff to maximize the benefits of the new system, the MLCC planned for continued training as well as upgrading of the desktop and operating system.

The MLCC identified the need for a business case for replacement of its aging point of sale and cash register system.

RESULTS:

The final streams of the LINK project, Licensing, Permits and Inspection were implemented in F'05. The network and desktop environments underwent a complete refresh migrating the server environment to the latest Windows operating system and upgrading all desktops to XP. Computer system training was completed within budget.

A business case for the point of sale/cash register system was completed and the project will proceed in F'06.

MANITOBA LIQUOR CONTROL COMMISSION

FOR THE FISCAL YEAR APRIL 1, 2004 TO MARCH 31, 2005

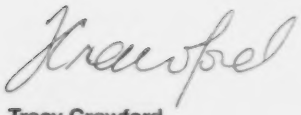
financial statements 2005

management report

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

D.V. Lussier
President & CEO



Tracy Crawford
Chief Financial Officer

auditors' report

To the Board of Commissioners
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2005 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
May 12, 2005

statement of income

Year ended March 31
(000's)

	2005	2004 [as restated – note 11]
Sales *[schedule]*	$ 472,134	$ 459,199
Cost of sales *[schedule]*	242,292	241,008
Gross profit	229,842	218,191
Other income *[notes 4 and 11]*	4,586	4,157
	234,428	222,348
General and administrative expenses *[note 5]*	46,706	45,850
Operating profit before depreciation	187,722	176,498
Depreciation *[notes 2 and 6]*	2,449	2,432
Net profit paid or payable to the Province of Manitoba	$ 185,273	$ 174,066

See accompanying notes to the financial statements

balance sheet

As at March 31
(000's)

	2005	2004 [as restated – note 11]
ASSETS		
Current		
Cash and cash equivalents	$ 8,523	$ 3,860
Accounts receivable – claims and other	11,411	11,556
Inventory *[note 3]*	21,118	20,548
Prepaid expenses and supplies	908	918
Total current assets	41,960	36,882
Fixed assets *[note 6]*	11,679	11,159
Long-term loan receivable – Province of Manitoba *[notes 7, 8 and 11]*	45,271	45,271
	$ 98,910	$ 93,312
LIABILITIES		
Current		
Accounts payable – trade and other	$ 23,840	$ 20,896
Goods and Services Tax payable	1,286	1,114
Manitoba Retail Sales Tax payable	1,096	997
Net profit payable to the Province of Manitoba *[note 11]*	18,187	18,166
Environmental Protection Tax payable	125	120
Deferred licence fees	547	570
Demand non-interest bearing working capital advance provided by the Province of Manitoba *[note 9]*	4,500	4,500
	49,581	46,363
Long-term		
Provision for employee pension benefits *[note 7]*	45,044	42,917
Provision for retirement allowances *[note 8]*	4,285	4,032
	$ 98,910	$ 93,312

See accompanying notes to the financial statements

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

statement of cash flows

Year ended March 31
(000's)

	2005	2004
		[as restated – note 11]
OPERATING ACTIVITIES		
Cash receipts		
Sales – spirits, wine, coolers/ciders and beer	$ 472,296	$ 449,691
Annual and supplementary licence fees and other	4,449	3,185
Goods and Services Tax	33,678	32,398
Manitoba Retail Sales Tax	14,939	14,107
Manitoba WRAP Tax	438	439
Environmental Protection Tax	2,164	1,738
	527,964	501,558
Cash disbursements		
Purchases – merchandise, federal duty, excise and sales taxes, etc.	239,705	240,116
General and administrative expenses	44,561	42,452
Goods and Services Tax	33,507	32,406
Manitoba Retail Sales Tax	14,840	14,053
Manitoba WRAP Tax	437	438
Environmental Protection Tax	2,160	1,734
	335,210	331,199
Net cash available from operating activities	192,754	170,359
INVESTING ACTIVITIES		
Acquisition of fixed assets	(2,840)	(2,498)
Net cash available for transfer	189,914	167,861
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	167,085	155,900
Prior year's net profit	18,166	20,247
	185,251	176,147
Excess (deficiency) of cash receipts over disbursements and transfers	4,663	(8,286)
Cash and cash equivalents, beginning of year	3,860	12,146
Cash and cash equivalents, end of year	$ 8,523	$ 3,860

See accompanying notes to the financial statements

schedule of sales, cost of sales and gross profit

Year ended March 31
(000's)

	Spirits	Wine	Coolers/ Ciders	Beer	Total
Sales					
Stores	$ 116,333	$ 58,475	$ 10,067	$ 29,233	$ 214,108
Liquor vendors	30,227	6,862	3,217	4,206	44,512
Licensees	17,151	4,554	2,339	181,465	205,509
Specialty wine stores	–	7,953	52	–	8,005
Total sales for 2005	$ 163,711	$ 77,844	$ 15,675	$ 214,904	$ 472,134
Total sales for 2004	$ 158,949	$ 72,443	$ 15,968	$ 211,839	$ 459,199
Cost of sales					
Total cost of sales for 2005	$ 64,323	$ 36,276	$ 7,242	$ 134,451	$ 242,292
Total cost of sales for 2004	$ 63,257	$ 33,620	$ 8,033	$ 136,098	$ 241,008
Gross profit for 2005	$ 99,388	$ 41,568	$ 8,433	$ 80,453	$ 229,842
Gross profit for 2004	$ 95,692	$ 38,823	$ 7,935	$ 75,741	$ 218,191
Gross profit as a percentage of sales for 2005	60.7%	53.4%	53.8%	37.4%	48.7%
Gross profit as a percentage of sales for 2004	60.2%	53.6%	49.7%	35.8%	47.5%

notes to the financial statements

March 31, 2005
(000's)

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "Commission"] was formed in 1923 as an agency of the Government of Manitoba under the Government Liquor Control Act. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Accounts receivable – claims and other includes electronic fund transactions to be forwarded to banks after March 31.

[c] Inventories of goods for resale are valued at cost.

[d] Revenue from sales is recognized upon shipment of the product.

[e] The fixed assets are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

[f] Substantially all of the employees of the Liquor Control Commission are eligible for pension benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination, or death, that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary as detailed in note 7.

[g] The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, long-term loan receivable – Province of Manitoba, net profit payable to the Province of Manitoba, accounts payable, other taxes payable and non-interest bearing working capital advance provided by the Province of Manitoba. It is management's opinion that the Commission is not exposed to interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

[h] In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. INVENTORY

		2005		2004
Warehouse inventory	$	**14,099**	$	13,468
Stores inventory		**7,019**		7,080
	$	**21,118**	$	20,548

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,641 at March 31, 2005 [2004 – $3,179].

4. OTHER INCOME

	2005	2004 [as restated – note 11]
Advertising revenue, other	$ 986	$ 752
Miscellaneous	846	598
Supplementary licence fees	684	712
Occasional permits additional fees	621	626
Annual licence fees and licence application fees	608	594
AIR MILES® revenue	293	337
Occasional permits	251	257
Administration charges	188	186
Border point fees	61	47
Specialty wine store fees	48	48
	$ 4,586	$ 4,157

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2005	2004
Salaries, benefits and pension costs	$ 29,422	$ 28,826
Leased premises – rentals *[note 10]*	4,772	4,531
Maintenance and repairs	1,491	1,730
Delivery charges	1,215	1,166
Utilities	1,198	1,174
Bank charges	1,179	1,086
Equipment rentals *[note 10]*	936	1,015
AIR MILES® program	911	1,013
Printing, postage and supplies	755	786
Professional fees	738	610
Grants in lieu of taxes	580	582
Health and post secondary education tax levy	483	478
Miscellaneous	451	366
Image enhancement	448	387
Alcohol education	434	329
Protective services	404	358
Advertising and promotions	350	348
Staff training	248	317
Travelling	238	233
Vehicle expenses	182	175
Communications	136	114
Product analysis	81	125
Crown Corporations Council levy	54	101
	$ 46,706	$ 45,850

6. DEPRECIATION/FIXED ASSETS

	2005		
	Cost	Accumulated depreciation	Net book value
Leasehold improvements	$ 7,682	$ 2,254	$ 5,428
Systems development	8,348	4,908	3,440
Equipment and furnishings	5,347	2,991	2,356
Automobiles	609	279	330
Paving	212	87	125
	$ 22,198	$ 10,519	$ 11,679

	2004		
	Cost	Accumulated depreciation	Net book value
Leasehold improvements	$ 6,319	$ 1,748	$ 4,571
Systems development	7,561	3,602	3,959
Equipment and furnishings	4,705	2,484	2,221
Automobiles	544	268	276
Paving	208	76	132
	$ 19,337	$ 8,178	$ 11,159

7. PROVISION FOR EMPLOYEE PENSION BENEFITS

The Commission maintains a defined benefit pension plan in accordance with the provision of the Civil Service Superannuation Act administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2001. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2005 using a formula provided by the actuary.

An actuarial valuation will be completed as at December 31, 2004. The results are expected to be available in the latter part of 2005.

	2005	2004
Balance, beginning of year	$ 42,917	$ 40,733
Benefits accrued	1,292	1,238
Interest accrued on benefits	3,102	2,944
Benefits paid	(2,240)	(1,989)
Manitoba Finance matching pension contributions	(27)	(9)
Balance, end of year	$ 45,044	$ 42,917
Pension expense	$ 4,394	$ 4,183
Employee contributions	$ 1,180	$ 1,131
Employer contributions	$ 2,267	$ 1,998

The pension expense consists of benefits accrued of $1,292 [2004 – $1,238] and interest accrued on benefits of $3,102 [2004 – $2,944].

7. PROVISION FOR EMPLOYEE PENSION BENEFITS *(cont'd)*

The key actuarial assumptions used in determining the Commission's provision for employee pension benefits were at the following weighted average rates:

	As at March 31	
	2005	2004
Rate of return	**6.75%**	6.75%
Inflation	**2.75%**	2.75%
Salary rate increases	**4.50%**	4.50%

In addition, post retirement indexing is at two-thirds of the inflation rate.

The amount of the long-term provision for employee pension benefits as at March 31, 2003, is included as part of long-term loan receivable – Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

8. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the Commission commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks, for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is based on a method of calculation set by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 is included as part of the long-term loan receivable – Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

9. WORKING CAPITAL ADVANCE

In accordance with an Order in Council obtained from the Province of Manitoba, the working capital advance was called on March 31, 2005. The working capital advance was repaid to the Province in April 2005.

10. LONG-TERM LEASES

[a] The Commission leases its head office and 9 other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

[b] The Commission leases another 38 buildings. Leases have expiry dates ranging from 2004 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31		
2006	$	3,645
2007		3,313
2008		3,187
2009		3,142
2010		2,715
Thereafter		11,301
	$	27,303

[c] The Commission leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2005 to 2009.

10. LONG-TERM LEASES *(cont'd)*

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31		
2006	$	1,137
2007		745
2008		452
2009		295
	$	2,629

11. PRIOR PERIOD RESTATEMENT

Effective September 2004, the funding from the Province of Manitoba for the Commission's share of the change in the provision for unfunded pension liabilities is no longer included in the amount receivable from the province as part of long-term loan receivable – Province of Manitoba. The change has been applied retroactively and the March 31, 2004 financial statements have been restated. The impact of the restatement is to decrease long-term loan receivable – Province of Manitoba, net profit payable to the Province of Manitoba, other income and net profit paid or payable to the Province of Manitoba by $2,185 for the year ended March 31, 2004.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

liquor marts

The MLCC's 45 Liquor Marts operate in the following areas:

Beausejour	619 Park Avenue
Brandon	10th & Victoria Avenue Brandon Shoppers Mall
Carman	3 Centre Avenue West
Churchill	203 Laverendrye Avenue
Dauphin	130 First Avenue North West
Flin Flon	26 Hapnot Street
Gimli	52 Centre Street
Killarney	516 Broadway Avenue
Lac du Bonnet	76, 2nd Avenue West
Minnedosa	16-2nd Avenue North West
Morden	331 North Railway Street
Neepawa	393 Mountain Avenue
Pine Falls	17 Pine Street
Portage la Prairie	300 Saskatchewan Avenue
Roblin	126 Main Street North West
Russell	202 Shell River Avenue North
Selkirk	446 Main Street
Swan River	716 Main Street
The Pas	333 Edwards Avenue
Thompson	131 Selkirk Avenue
Virden	197 Third Avenue

Winnipeg	Charleswood 27-3900 Grant Avenue
	cityplace 333 St. Mary Avenue
	Crestview Shopping Centre 170-3393 Portage Avenue
	Dominion Shopping Centre 21 Marion Street
	Eastwinds Shopping Centre 23-1530 Regent Avenue
	Fort Garry 1235 Pembina Highway
	Fort Richmond 2855 Pembina Highway
	Grant Park Plaza Shopping Centre 1120 Grant Avenue
	Hargrave & Ellice 325 Ellice Avenue
	Kenaston Crossing 8-1650 Kenaston Boulevard
	Madison Square P-1600 Ness Avenue
	Main & Jefferson 1662 Main Street
	Main & Pritchard 1005 Main Street
	Northdale Shopping Centre 965A Henderson Highway
	Northgate Shopping Centre 1399 McPhillips Street
	Portage & Ainslie 2549 Portage Avenue
	Portage & Burnell 925 Portage Avenue
	River & Osborne 471 River Avenue
	St. Vital Square 5-827 Dakota Street
	Southdale Shopping Centre 21-67 Vermillion
	Transcona Square 1-620 Kildare Avenue East
	Tuxedo 168-2025 Corydon Avenue
	Tyndall Market Mall 850 Keewatin Street

liquor vendors

Liquor vendors are partners with the MLCC. By combining liquor sales with their existing business, these local entrepreneurs help to ensure their viability. There are currently 174 liquor vendors operating in Manitoba.

Alexander	Stahl's Food Mart
Alonsa	Fashoway Café & Confectionery
Altona	Altona Cleaners Ltd.
Amaranth	Bayside Bargains
Anola	Anola Lucky Dollar
Arborg	Arborg Pharmacy
Argyle	Meridian Trail General Store
Ashern	Ashern Pharmacy
Austin	J & J Grocery
Baldur	Baldur Variety Store
Belmont	Belmont Hardware
Benito	Benito Pharmasave
Birch River	Birchwood Convenience
Bird River	Tall Timber Lodge
Birds Hill	Birds Hill Store
Birtle	Birtle Pharmacy
Bissett	Bissett Variety
Boissevain	Hazlewood Enterprises
Bruxelles	Marginet's Grocery & Hardware
Camperville	McKay Grocery
CFB Shilo	Bx Shopping Centre
Carberry	Spud City Food Mart Ltd.
Cartwright	Cartwright Health Centre
Clandeboye	Clandeboye Store
Clearwater Lake	Wally's Place
Cowan	Kolisnyk's General Store
Cranberry Portage	Streamer Hardware
Cypress River	Cypress River Lucky Dollar
Deloraine	Myrna's Fabric Boutique
Dominion City	Mike's Bigway
Dugald	Dugald Convenience Store
Elgin	West Elgin Mall
Elie	Elie Grocery Store
Elkhorn	Twin Valley Co-op Ltd.
Elm Creek	Elm Creek Co-operative Oil & Supplies Ltd.
Elma	Elma Country Store
Emerson	Holly's Food & Hardware Ltd.
Erickson	Mountain Park Pharmacy
Eriksdale	Shop Easy Foods
Ethelbert	Bird's Corner Store
Falcon Lake	Lumber One Building Supplies
Fisher Branch	Fisher Branch Health Centre
Fraserwood	J & J Store
Garson	Garson Grocery Ltd.
Gilbert Plains	Gilbert Plains Pharmacy
Gillam	Trappers Shack
Gladstone	Gladstone Pharmacy
Glenboro	Glenboro Pharmacy Ltd.
Glenella	Preisentanz's General Store
Glenora	Glenora Mall
Grand Marais	Grand Marais Village Store
Grand Rapids	Grand Rapids Esso
Grandview	Grandview Home Hardware
Great Falls	Great Falls Foods
Grindstone	Grindstone General Store
Gull Lake	Sherwood Grocery
Gypsumville	Rawluk's Grocery & Pro Hardware
Hadashville	Kiedyk's Convenience Store
Hamiota	Rawlings Home Hardware
Hartney	Hartney Variety Store
Hecla	Hecla Island General Store
Hodgson	Buckskin Trading Post
Holland	Holland Home Hardware
Ile des Chenes	Ile Des Chenes Country Store
Inglis	Jordie's Food Mart
Inwood	Inwood Food Town
Kelwood	Kelwood Store
Kenton	Houston's
Komarno	Komarno Quality Store
La Broquerie	Le Bon Ami
La Salle	Jeni's Food & Hardware
Lake of the Prairies	Kilman Resort
Lake Metigoshe	Turtle Mountain All Season Resort
Langruth	Farncombe's Food Centre
Laurier	Fosberry Foods
Leaf Rapids	Kings Health & Variety
Lee River	Camp Hide-Away
Letellier	Gallant's Lucky Dollar
Lockport	Lockport Grocery
Lorette	Chez Heather Shop
Lundar	Lundar Pharmacy Ltd.
Lynn Lake	Clarke's Pharmacy
MacGregor	MacGregor Lo-Cost (2004)
Mafeking	Doan's General Store
Manitou	Manitou Pharmacy
Mariapolis	Pouteau Foods

McAuley	McAuley Country Grocery Co-op Ltd.
McCreary	Reischek's Pharmacy
Melita	Liquid World
Miami	Westaway's Pharmacy
Miniota	Miniota C-Store
Minitonas	Nemetchek Enterprises 1992
Minto	Community Market
Moosehorn	Moosehorn Consumers Co-op Ltd.
Morris	Morris Super Variety
Narrows	The Narrows General Store
Newdale	Strathclair Co-Op (Newdale Branch)
Ninette	The Grocery Box
Notre Dame	Notre Dame Shopping Centre
Nutimik Lake	Nutimik Lodge
Oak Lake	Valleyview Oak Lake Co-op
Oakbank	Family Fare
Oakburn	Oakburn Foodtown
Oakville	Oakville Super Market
Onanole	B & D Hardware Inc.
Pierson	Edward Consumers Co-Operative Ltd.
Pilot Mound	Dobson's Foods Ltd.
Pinawa	Northern Stores Inc.
Pine River	Semeniuk's Groceteria
Pipestone	Corral Foods
Plum Coulee	Tri-Coulee Investments
Plumas	Plumas Stop & Shop
Pointe du Bois	Pam's Place
Poplarfield	King Buck Inn Poplarfield Groceteria
Rapid City	Waldon Insurance Agencies Ltd.
Rathwell	Rathwell Solo & Hardware
Rennie	Rennie General Store
Reston	Reston Drugs
Richer	Burnells Food Plus
Ridgeville	Ridgeville Cooperative Community Club
Rivers	Rivers Super Thrifty Drug Mart Ltd.
Riverton	The Other Place
Roland	Roland E-Z Mart
Rorketon	Bonnett Insurance Agencies
Rossburn	L.P.K. Enterprises
St. Ambroise	Ducharme's General Store
St. Claude	Philippot's Shop Easy Foods
St. Eustache	Magasin Beaudin Store
St. Francois Xavier	S.F.X. Country Store
St. Jean Baptiste	St. Jean Home Centre
St. Laurent	Depanneur Entre-Lacs
St. Lazare	Chez Denis
St. Malo	St. Malo Co-operative Ltd.
St. Pierre-Jolys	St. Pierre IGA
Ste. Agathe	De Panneur Cheyenne Convenience Store
Ste. Anne	Ste. Anne Sundries
Ste. Rose du Lac	Ste. Rose Variety Shop (2001)
San Clara	Browser's Country Store
Sandy Lake	Sandy Lake Hardware
Sanford	Sanford Lumber & Building Supply
Sarto	Sarto General Store
Seven Sisters	East-Man Appliance Sales & Service
Shoal Lake	The Far Side Gifts
Sifton	Boguski Grocery
Snow Lake	Cornerview Enterprises Ltd.
Somerset	Somerset Meat & Groceries Inc.
Souris	Souris Valley Foods
Sprague	Carl's Solo Store
Springfield	Garven Grocery Store
Starbuck	"Dawn 'Til Dusk" Convenience Store
Stonewall	Stonewall Pharmacy Ltd.
Stony Mountain	Mountainview General Store
Strathclair	Strathclair Consumers Co-op Ltd.
Swan Lake	Stevenson's Pharmacy Ltd.
Teulon	Teulon Pharmacy
Tolstoi	Tolstoi Super Mart
Traverse Bay	Traverse Bay Corner Store
Treherne	Treherne Pharmacy
Vassar	Vassar General Store
Vita	Sumthing Special Florist & Gift Shop
Wabowden	Dwyer's General Store
Wanless	WE STE General Store
Warren	Pete's General Store
Waskada	Wilbro Enterprises Inc.
Waterhen	Waterhen General Store
Wawanesa	Gullett Pro Hardware
Westbourne	Yellowhead Food 'N' Fuel
West Hawk Lake	West Hawk Lake Resort
W. itemouth	Whitemouth Sundries
Wir. ipeg Beach	Beach Remedies
Winnipegosis	Winnipegosis Meat Market
Woodlands	Studler's General Store
Woodridge	Woodridge General Store

notes

MLCC

Established 1923

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